

ORIGINAL



0000108397

32

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26

**BEFORE THE ARIZONA CORPORATION COMMISSION**

COMMISSIONERS

KRISTIN K. MAYES – Chairman  
GARY PIERCE  
PAUL NEWMAN  
SANDRA D. KENNEDY  
BOB STUMP

IN THE MATTER OF THE REVIEW AND  
POSSIBLE REVISION OF ARIZONA  
UNIVERSAL SERVICE FUND RULES,  
ARTICLE 12 OF THE ARIZONA  
ADMINISTRATIVE CODE.

DOCKET NO. RT-00000H-97-0137

DOCKET NO. T-00000D-00-0672

IN THE MATTER OF THE  
INVESTIGATION OF THE COST OF  
TELECOMMUNICATIONS ACCESS.

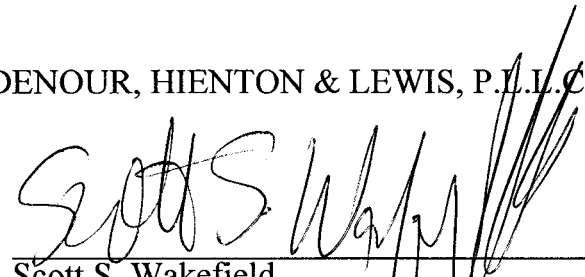
**NOTICE OF FILING**

Sprint Communications Company, L.P., Sprint Spectrum, L.P. and Nextel West  
Corp, hereby provide notice of filing the Testimony Summary of James A. Appleby in the  
above-referenced matter.

Dated this 15<sup>th</sup> day of March, 2010.

RIDENOUR, HIENTON & LEWIS, P.L.L.C.

By

  
Scott S. Wakefield  
201 North Central Avenue, Suite 3300  
Phoenix, Arizona 85004-1052  
Attorneys for Sprint Communications  
Company, L.P., Sprint Spectrum, L.P. and  
Nextel West Corp.

RECEIVED

2010 MAR 15 P 4:43

AZ CORP COMMISSION  
DOCKET CONTROL

Arizona Corporation Commission

**DOCKETED**

MAR 15 2010

DOCKETED BY



1 ORIGINAL and 13 copies  
2 of the foregoing hand-delivered  
3 this 15<sup>th</sup> day of March, 2010, to:

4 Docket Control  
5 Arizona Corporation Commission  
6 1200 West Washington Street  
7 Phoenix, AZ 85007

8 Copies of the foregoing hand-delivered  
9 this 15<sup>th</sup> day of March, 2010,  
10 to:

11 Janice Alward, Chief Counsel  
12 Legal Division  
13 ARIZONA CORPORATION  
14 COMMISSION  
15 1200 W. Washington Street  
16 Phoenix, AZ 85007

17 Steve Olea, Director  
18 Utilities Division  
19 ARIZONA CORPORATION  
20 COMMISSION  
21 1200 W. Washington Street  
22 Phoenix, AZ 85007

23 Commissioners Kristin Mayes,  
24 Gary Pierce, Paul Newman  
25 Sandra D. Kennedy and Bob Stump  
26 ARIZONA CORPORATION  
COMMISSION  
1200 W. Washington Street  
Phoenix, Arizona 85007

Copies of the foregoing mailed  
and/or emailed this 15<sup>th</sup> day of  
March, 2010, to:

Dan Pozefsky  
Chief Counsel  
RESIDENT UTILITY CONSUMER  
OFFICE  
1110 W. Washington St., Suite 2200  
Phoenix, AZ 85007

Michael W. Patten  
ROSHKA DEWULF & PATTEN, PLC  
One Arizona Center  
400 E. Van Buren St., Suite 800  
Phoenix, AZ 85004  
[mpatten@rdp-law.com](mailto:mpatten@rdp-law.com)\*  
Attorneys for Cox Arizona Telecom, LLC  
Attorneys for McLeodUSA

1 Norman Curtright  
2 Reed Peterson  
3 QWEST CORPORATION  
4 20 E. Thomas Rd., 16<sup>th</sup> Flr.  
5 Phoenix, AZ 85012  
6 Norm.curtright@qwest.com

7 Patrick J. Black  
8 FENNEMORE CRAIG, PC  
9 3003 N. Central Ave., Suite 2600  
10 Phoenix, AZ 85012  
11 Attorneys for Qwest Corporation and  
12 Qwest Communications Company, LLC

13 Joan S. Burke  
14 Law Office of Joan S. Burke  
15 1650 N. First Avenue  
16 Phoenix, AZ 85003  
17 joan@jsburkelaw.com\*  
18 Attorneys for Time Warner Telecom  
19 Attorneys for XO Communications

20 Lyndall Nipps  
21 Vice President Regulatory  
22 TIME WARNER TELECOM  
23 845 Camino Sur  
24 Palm Springs, CA 92262  
25 Lyncall.Nipps@twtelecom.com\*

26 Dennis D. Ahers  
Associate General Counsel  
INTEGRA TELECOM, INC.  
730 Second Ave., Suite 900  
Minneapolis, MN 55402  
ddahlers@eschelon.com

Craig A. Marks  
CRAIG A. MARKS, PLC  
10645 N. Tatum Blvd., Suite 200-676  
Phoenix, AZ 85028  
Craig.Marks@azbar.org  
Attorney for ALECA

Michael M. Grant  
GALLAGHER & KENNEDY, P.A.  
2575 E. Camelback Road  
Phoenix, AZ 85016  
mmg@gknet.com\*  
Attorneys for AT&T

Isabelle Salgado  
AT&T NEVADA  
P.O. Box 11010  
645 E. Plumb Lane, B132  
Reno, NV 89520  
dfoley@att.com\*  
gc1831@att.com\*

Thomas Campbell  
Michael Hallam  
40 N. Central Ave., Suite 1900  
Phoenix, AZ 85004  
tcampbell@lrlaw.com\*  
mhallam@lrlaw.com  
Attorneys for Verizon

Rex Knowles  
Executive Director – Regulatory  
XO COMMUNICATIONS  
1111 E. Broadway, Suite 1000  
Salt Lake City, UT 84111  
rex.knowles@xo.com\*

1 Charles H. Carrathers, III  
2 General Counsel, South Central Region  
3 VERIZON, INC.  
4 600 Hidden Ridge  
5 HQE03H52  
6 Irving, TX 75015  
7 chuck.carrathers@verizon.com\*

8 William Hass  
9 Deputy General Counsel  
10 MCLEODUSA TELECOMMUNICATIONS  
11 SERVICES  
12 P.O. Box 3177  
13 6400 C Street SW  
14 Hiawatha, Iowa 52233  
15 bill.haas@mcleodusa.com\*

16 Mark A. DiNunzio  
17 COX ARIZONA TELECOM, LLC  
18 MS DV3-16, Building C  
19 1550 W. Deer Valley Road  
20 Phoenix, AZ 85027  
21 Mark.dinunzio@cox.com\*

22 Nathan Glazier, Regional Mgr.  
23 ALLTEL COMMUNICATIONS, INC.  
24 4805 E. Thistle Landing Drive  
25 Phoenix, AZ 85004  
26 Nathan.glazier@alltel.com\*

Jeffrey W. Crockett  
SNELL & WILMER, LLP  
400 E. Van Buren Street  
Phoenix, AZ 85004-2202

Gary Joseph  
Arizona Payphone Association  
SHARENET COMMUNICATIONS  
46ee West Polk Street  
Phoenix, AZ 85043  
[garyj@nationalbrands.com](mailto:garyj@nationalbrands.com)\*

Karen E. Nally  
LAW OFFICE OF KAREN E.  
NALLY, PLLC  
3420 E. Shea Blvd., Suite 200  
Phoenix, AZ 85028  
[knallylaw@cox.net](mailto:knallylaw@cox.net)  
Attorney for Arizona Payphone Assn.

Thomas W. Bake  
President  
ARIZONA DIALTONE, INC.  
6115 S. Kyrene Rd., #103  
Tempe, AZ 85283  
[TomBade@airzonadialtone.com](mailto:TomBade@airzonadialtone.com)\*

Brad VanLear  
President  
ORBITCOM, INC.  
1701 N. Louise Avenue  
Sioux Falls, SD 57107  
[bvanleur@svtv.com](mailto:bvanleur@svtv.com)

Greg L. Rogers  
LEVEL D COMMUNICATIONS, LLC  
1025 El Dorado Blvd.  
Broomfield, CO 80021

1 Jane Rodda (By Email)  
2 Administrative Law Judge  
3 ARIZONA CORPORATION  
4 COMMISSION  
5 400 W. Congress Street  
6 Tucson, AZ 85701

5

6

7

8

9

10 \* Parties marked with an "\*" have  
11 agreed to accept service  
12 electronically.

12

13

14

15

16

17

18

19

20

21

22

23

24

25

26

1                                   **BEFORE THE ARIZONA CORPORATION COMMISSION**

2                   **COMMISSIONERS**

3           KRISTIN K. MAYES – Chairman  
4           GARY PIERCE  
5           PAUL NEWMAN  
6           SANDRA D. KENNEDY  
7           BOB STUMP

8           IN THE MATTER OF THE REVIEW AND  
9           POSSIBLE REVISION OF ARIZONA  
10           UNIVERSAL SERVICE FUND RULES,  
11           ARTICLE 12 OF THE ARIZONA  
12           ADMINISTRATIVE CODE.

DOCKET NO. RT-00000H-97-0137

DOCKET NO. T-00000D-00-0672

13           \_\_\_\_\_  
14           IN THE MATTER OF THE  
15           INVESTIGATION OF THE COST OF  
16           TELECOMMUNICATIONS ACCESS.

17                                   **TESTIMONY SUMMARY**  
18                                   **OF**  
19                                   **JAMES A. APPLEBY**

20                                   **ON BEHALF OF**  
21                                   **SPRINT COMMUNICATIONS COMPANY, L.P.,**  
22                                   **SPRINT SPECTRUM, L.P. AND NEXTEL WEST CORP**

23  
24  
25           March 15, 2010  
26

1     **Summary of Direct Testimony.**

2             Switched access is a monopoly service. All carriers that compete against LECs in  
3     the retail market must use switched access to terminate non-local calls to the LECs'  
4     customers. This includes traffic originated by wireless providers who pay terminating  
5     access on wireless calls to landline customers when such calls cross Metropolitan Trading  
6     Area ("MTA") boundaries. Wireless carriers, however, do not collect access charges on  
7     toll calls received from other carriers, including the LECs. Carriers cannot compete on an  
8     equal footing with LECs if the LECs are permitted to impose on their competitors input  
9     costs that are far above the actual cost of providing those functions.

10            Access prices were historically inflated as a mechanism to subsidize the price of  
11    basic local service in a regulated monopoly setting. But this interplay between local  
12    service rates and intrastate access services rates was established long before LECs  
13    developed the ability to collect revenues from numerous other services provisioned over  
14    the same network on which they provide local exchange and exchange access services.  
15    The LECs, within their service territories, now offer wireline long distance, numerous  
16    new calling features, broadband and video entertainment services. These services are  
17    often bundled together to provide the consumer's complete service needs. The average  
18    revenue per customer the LECs collect continues to expand. The historic trend of retail  
19    revenue growth and the potential for further growth in the future makes the collection of  
20    subsidies from competing carriers in the form of grossly inflated access rates unnecessary  
21    and anti-competitive. The LECs can and should collect the costs of providing retail  
22    services from the customers purchasing those retail services instead of collecting a  
23    portion of those costs from competitors by charging inflated rates for monopoly switched  
24    access. This change is essential to developing a level competitive playing field for all  
25    service providers.

26            Sprint recommends that all LECs operating in Arizona be required to set their

1 intrastate switched access rate and structure for each individual access element equal to  
2 the equivalent interstate switched access rate and structure.

3 **Summary of Reply Testimony.**

4 Almost all parties to the proceeding believe that intrastate access reform is needed.  
5 Consumers will benefit if the Commission authorizes another step toward a fully  
6 competitive telecommunications market. All LECs, incumbent and competitive, should  
7 have their intrastate switched access rates and rate structure set equal to their equivalent  
8 interstate rates and structure. ILECs should be permitted to increase their basic local  
9 service rates up to a state-wide benchmark rate to recover lost access revenues. If the  
10 Commission believes some additional access subsidy recovery is necessary beyond the  
11 local rate increases, ILECs should be permitted to recover the lost access subsidy on a per  
12 line basis from the Arizona Universal Service Fund ("AUSF") on residential lines only  
13 when the customer purchases standalone basic local service from the ILEC. The ILEC's  
14 bundles of retail services that can now be provided on the local network provide  
15 sufficient opportunity for the ILECs to recover the lost access subsidies on those bundle  
16 customers. The ILECs should be permitted full retail rate flexibility for bundled services  
17 if they do not already possess that regulation freedom. To keep the remaining subsidy  
18 competitively neutral, a non-incumbent carrier should be permitted to collect the same  
19 level of subsidy the ILEC receives for serving a residential customer with only local voice  
20 service at the local service benchmark rate.

21 **Summary of Rejoinder Testimony.**

22 Sprint has not changed any of its policy positions articulated in my previous two  
23 testimonies. We still believe reform of switched access charges is essential to the  
24 development of a fully competitive market. Consumers will benefit if the Commission  
25 authorizes another step in the transition. All LECs, incumbent and competitive, should  
26 have their intrastate switched access rates and rate structure set equal to their equivalent



1 interstate rates and structure. Failing to reform or even delaying reform for one LEC,  
2 such as Qwest, or group of LECs, such as CLECs, harms Arizona consumers. Postponing  
3 the decision to reform the access rates of one LEC or a group of LECs to another  
4 proceeding creates duplicative processes and utilizes more of the Commission's limited  
5 resources than is necessary. The economic and public policy reasons to control LEC  
6 switched access rates at a certain level applies equally to all carriers in the Arizona  
7 markets. A uniform policy applicable to all LECs should be the outcome of this  
8 proceeding.